

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00

DOT-00 FMC-01 INR-07 NSAE-00 CG-00 DLOS-09

OES-07 L-03 SS-15 H-01 /057 W

-----172356Z 039614 /13

R 171311Z MAY 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7675

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E.O. 11652: N/A

TAGS: EWWT, VE

SUBJECT: PRUDENTIAL LASH SERVICES TO VENEZUELA

REF: STATE 104281

1. IN VIEW ABSENCE ADMIRAL BAUDET WHO IS IN EUROPE UNTIL MAY 19, MEETING WAS HELD AT CAVN WITH EMBOFF; LEO MOOY, GENERAL MANAGER OF BOULTON AND CO.; LUIS VIADA, PRUDENTIAL'S VICE PRESIDENT OF LATIN AMERICAN SERVICES; AND CAPT. GILBERTO RIOS, GENERAL MANAGER OF CAVN, IN ATTENDANCE. EMBOFF EXPLAINED THAT USG WAS VERY INTERESTED IN OUTCOME OF PRUDENTIAL'S NEGOTIATIONS FOR LASH VESSEL SERVICE DUE TO USG'S LARGE INVESTMENT IN LASH DEVELOPMENT AS WELL AS FACT THAT PRUDENTIAL'S ABILITY TO CONTINUE TO SERVICE VENEZUELA WOULD BE QUESTIONABLE IF LASH SERVICE WERE TO BE DIS-APPROVED BY THE VENEZUELAN GOVERNMENT. EMBOFF FURTHER STATED THAT WHILE EMBASSY WAS PLANNING TO MAKE REPRESENTATION TO VENEZUELAN GOVERNMENT ON PRUDENTIAL'S BEHALF, THIS MEETING WAS MERELY TO ASCERTAIN CAVN'S POSITION WITH REGARDS TO ARRIVING AT A SUITABLE AGREEMENT WITH PRUDENTIAL.

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2. CAPT. RIOS SAID THAT HE FELT THAT A FAVORABLE AGREEMENT WOULD BE FORTHCOMING IN THE NEAR FUTURE. IN KEEPING WITH CAVN'S EFFORTS TO INVEST-IGATE LASH SERVICE, LUIS LUGO AND CONSUELO BERNAL HAD LEFT FOR NEW YORK TO NEGOTIATE WITH PRUDENTIAL BEGINNING MAY 16. AS TO CAVN'S OBJECTIONS

TO LASH SERVICE, CAVN'S MAJOR CONCERN WAS THAT BY ALLOWING PRUDENTIAL TO USE LASH, THEY WOULD BE FORCED TO ALLOW OTHER SHIPPING LINES TO USE LASH AND CONTAINERS WHICH WERE COMPETITIVELY SUPERIOR TO CAVN'S COMPLETELY BREAK BULK CARRIER FLEET (INCLUDING 10 NEW BREAK BULK CARRIERS DESTINED TO COME "ON LINE" THIS YEAR). ALSO, CAVN WAS NOT ALTOGETHER IN AGREEMENT AS TO LASH'S POTENTIAL AS A SOLUTION TO PORT CONGESTION. BARGES COULD BE STACKED UP WAITING TO UNLOAD CARGO THE SAME WAY VESSELS COULD. HE ADDED THAT CAVN'S EXPERIENCE WITH LASH BARGES CHARTERED FROM DELTA TO USE IN PUERTO CABELLO HAD BEEN ECONOMICALLY UNSUCCESSFUL (ALTHOUGH HE ADMITTED THAT MANY OF THESE PROBLEMS WERE DUE TO LACK OF COORDINATION WITH THE PORT AUTHORITIES-INP). HE THEN SAID THAT IF THIS WERE A PURELY ECONOMIC MATTER HE FELT THAT CAVN SHOULD PETITION THE VENEZUELAN GOVERNMENT TO RAISE FREIGHT RATES, WHICH WOULD BE FINANCIALLY BENEFICIAL TO BOTH PARTNERS. HE REALIZED, HOWEVER, THAT PRUDENTIAL WAS MORE CONCERNED ABOUT THE LOSS OF ITS \$45 MILLION ANNUAL SUBSIDY WITH REGARD TO LASH SERVICE THAN WITH ECONOMIC SOLUTIONS TO ATLANTIC COAST/VENEZUELA TRAFFIC PROBLEMS. HE SAID CAVN WAS SYMPATHETIC TO THEIR PROBLEM AND REITERATED HIS BELIEF THAT AN AGREEMENT WOULD BE REACHED.

3. MOOY AND VIADA RESPONDED TO RIOS' OBSERVATIONS.
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PRUDENTIAL WOULD IN NO WAY THREATEN CAVN'S MARKET SHARE, NOT ONLY BECAUSE LASH SERVICE WOULD ONLY GIVE PRUDENTIAL A MAXIMUM ABILITY TO CARRY 43 PERCENT OF ATLANTIC COAST/VENEZUELA MARKET, BUT ALSO BECAUSE CAVN COULD INVOKE ITS CARGO PREFERENCE LAWS TO INSURE CAVN'S SHARE OF THE MARKET. AS TO LASH ABILITY TO BE A POTENTIAL SOLUTION TO PORT CONGESTION, THEY STATED THAT THE PORTS CERTAINLY COULD NOT BECOME WORSE WITH THE INFUSION OF LASH AND IF PROPERLY USED WOULD DEFINITELY BE A PARTIAL REMEDY TO PORT CONGESTION.

COMMENT

4. IF RIOS IS CORRECT IN ASSUMING THAT PRUDENTIAL-CAVN AGREEMENT IS LIKELY IN NEAR FUTURE OR IF SUBSTANTIAL PROGRESS IS BEING MADE, FURTHER REPRESENTATIONS TO CAVN MAY NOT BE NECESSARY AT THIS TIME. IN THIS CONNECTION, EMBASSY WOULD APPRECIATE

RECEIVING DEPARTMENT'S ASSESSMENT OF RESULTS OF
PRUDENTIAL-CAVN TALKS SCHEDULED MAY 16.

5. EMBASSY PLANS TO PURSUE QUESTION OF PRUDENTIAL
LASH SERVICE WITH APPROPRIATE GOV OFFICIALS. WE
BELIEVE MOST CREDIBLE POINT TO BE MADE IS STRONG
USG INTEREST IN SUBSTANTIAL SAVINGS IN SUBSIDY
PAYMENTS THROUGH RELATIVE ECONOMY OF SUBSTITUTING
LASH VESSELS FOR PRESENT VESSELS-AN ARGUMENT
THE GOV CANNOT EASILY DISPUTE. EMBASSY WOULD
THEREFORE APPRECIATE MORE COMPLETE DESCRIPTION
OF MARAD SUBSIDY POLICIES AND OF EVENTS WHICH
LED TO DECISION TO REQUIRE USE OF LASH SERVICE.
WOULD ALSO APPRECIATE DEPARTMENT'S COMMENTS ON
POSSIBILITY THAT PRUDENTIAL'S EAST-COAST SERVICE
TO VENEZUELA WILL BE SUSPENDED IF PROBLEM IS
NOT RESOLVED.

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VAKY

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, STEAMSHIP LINES, LASH, PORT FACILITIES, CARGO SHIPS, DEVELOPMENT PROGRAMS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 17-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CARACA04893
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770175-0811
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From: CARACAS
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Image Path:
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 104281
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2495940
Secure: OPEN
Status: NATIVE
Subject: PRUDENTIAL LASH SERVICES TO VENEZUELA
TAGS: EWWT, VE, US, PRUDENTIAL LINES
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/e134be92-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009